

TOWNSHIP OF MONTCALM
Montcalm County, Michigan

FINANCIAL REPORT WITH
SUPPLEMENTARY INFORMATION

Year Ended March 31, 2007

AUDITING PROCEDURES REPORT

Issue under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Township of Montcalm	County Montcalm
Audit Date March 31, 2007	Opinion Date May 5, 2007	Date Accountant Report Submitted to State: August 8, 2007	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---|--|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during they year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) Campbell, Kusterer & Co., P.C.			
Street Address 512 N. Lincoln, Suite 100, P.O. Box 686	City Bay City	State MI	Zip 48707
Accountant Signature Campbell, Kusterer & Co., P.C.			

TOWNSHIP OF MONTCALM
Montcalm County, Michigan

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CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

May 5, 2007

To the Township Board
Township of Montcalm
Montcalm County, Michigan

We have audited the accompanying financial statements of the governmental activities, business-type activities and each major fund of Township of Montcalm, Montcalm County, Michigan as of and for the year ended March 31, 2007, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Township of Montcalm's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities and each major fund of the Township of Montcalm, Montcalm County, Michigan as of March 31, 2007, and the respective changes in financial position and cash flows where applicable, of these activities and funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Township's basic financial statements. The other supporting information described in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Campbell, Kusterer & Co., P.C.
CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants

TOWNSHIP OF MONTCALM
Montcalm County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended March 31, 2007

The Management's Discussion and Analysis report of the Township of Montcalm covers the Township's financial performance during the year ended March 31, 2007.

FINANCIAL HIGHLIGHTS

Our financial status remained stable over the last year. Net assets at March 31, 2007, totaled \$1,282,944.04 for governmental activities.

Overall revenues were \$461,575.46.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts, management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township and the notes to the financial statements.

The first two statements are entity-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental and business-type activities.

The remaining statements are fund financial statements, which focus on individual parts of the Township in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

ENTITY-WIDE FINANCIAL STATEMENTS

The entity-wide statements report information about the Township as a whole using accounting methods used by private companies. The statement of net assets includes all of the Township's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two entity-wide statements report net assets and how they have changed. Net assets are the difference between the entity's assets and liabilities and this is one method to measure the entity's financial health or position.

Over time increases/decreases in the entity's net assets are an indicator of whether financial position is improving or deteriorating.

To assess overall health of the entity you may also have to consider additional factors such as tax base changes, facility conditions and personnel changes.

All of the activities of the Township are reported as governmental activities and business-type activities. These include the General Fund, Fire Fund, Liquor Fund, Building Inspection Fund, Cemetery Operating Fund and the Cemetery Perpetual Care Fund.

TOWNSHIP OF MONTCALM
Montcalm County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended March 31, 2007

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Township's funds, focusing on significant (major) funds not the Township as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Township Board also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditures of those resources.

The Township has the following types of funds:

Governmental Funds: Some of the Township's activities are included in the governmental fund category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Township's entity-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them. The Township's governmental funds include the General Fund, Fire Fund, Liquor Fund, Building Inspection Fund, Cemetery Operating Fund, and the Cemetery Perpetual Care Fund.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

Our cash position in the governmental activities remains healthy.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

The General Fund pays for the Township's governmental services. The most significant was highways and streets which incurred expenses of \$78,055.73.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

There was \$1,642.00 invested in capital assets.

There is no long-term debt activity at this time.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

State revenue sharing is the main source of financing for the Township. The future of state revenue sharing is very uncertain and may cause difficulties for the Township in the future.

CONTACTING THE TOWNSHIP'S MANAGEMENT

This financial report is intended to provide our taxpayers, creditors, investors and customers with a general overview of the Township's finances and to demonstrate the Township's accountability for the revenues it receives. If you have any questions concerning this report please contact the Township at 1880 S. Greenville Road, Greenville, Michigan 48838.

TOWNSHIP OF MONTCALM
Montcalm County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET ASSETS
March 31, 2007

	<u>Governmental Activities</u>
ASSETS:	
CURRENT ASSETS:	
Cash in bank	644 286 41
Taxes receivable	14 243 13
Accounts receivable	<u>35 627 00</u>
Total Current Assets	<u>694 156 54</u>
NON-CURRENT ASSETS:	
Capital Assets	1 014 497 00
Less: Accumulated Depreciation	<u>(425 709 50)</u>
Total Non-current Assets	<u>588 787 50</u>
TOTAL ASSETS	<u><u>1 282 944 04</u></u>
LIABILITIES AND NET ASSETS:	
LIABILITIES:	
CURRENT LIABILITIES:	
Accounts payable	<u>-</u>
Total Current Liabilities	<u>-</u>
NON-CURRENT LIABILITIES	<u>-</u>
Total Non-current Liabilities	<u>-</u>
Total Liabilities	<u>-</u>
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	588 787 50
Unrestricted	<u>694 156 54</u>
Total Net Assets	<u><u>1 282 944 04</u></u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>1 282 944 04</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF MONTCALM
Montcalm County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
Year ended March 31, 2007

	<u>Expenses</u>	<u>Program Revenue</u>	<u>Governmental Activities</u>
		<u>Charges for Services</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>
FUNCTIONS/PROGRAMS			
Governmental Activities:			
Legislative	7 836 47	-	(7 836 47)
General government	159 092 30	44 887 49	(114 204 81)
Public safety	147 177 51	23 093 00	(124 084 51)
Public works	<u>78 055 73</u>	<u>-</u>	<u>(78 055 73)</u>
Total Governmental Activities	<u>392 162 01</u>	<u>67 980 49</u>	<u>(324 181 52)</u>
General Revenues:			
Property taxes			105 316 38
State revenue sharing			226 090 09
Interest			23 124 30
Miscellaneous			<u>39 064 20</u>
Total General Revenues			<u>393 594 97</u>
Change in net assets			69 413 45
Net assets, beginning of year			<u>1 213 530 59</u>
Net Assets, End of Year			<u><u>1 282 944 04</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF MONTCALM
Montcalm County, Michigan

BALANCE SHEET – GOVERNMENTAL FUNDS
March 31, 2007

	<u>General</u>	<u>Fire</u>	<u>Other Funds</u>	<u>Total</u>
<u>Assets</u>				
Cash in bank	400 318 83	69 694 33	130 707 04	600 720 20
Taxes receivable	10 092 56	4 150 57	-	14 243 13
Accounts receivable	35 627 00	-	-	35 627 00
Due from other funds	<u>11 431 29</u>	<u>32 134 92</u>	<u>-</u>	<u>43 566 21</u>
Total Assets	<u>457 469 68</u>	<u>105 979 82</u>	<u>130 707 04</u>	<u>694 156 54</u>
<u>Liabilities and Fund Equity</u>				
Liabilities:				
Due to other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund equity:				
Fund balances:				
Unreserved:				
Undesignated	<u>457 469 68</u>	<u>105 979 82</u>	<u>130 707 04</u>	<u>694 156 54</u>
Total fund equity	<u>457 469 68</u>	<u>105 979 82</u>	<u>130 707 04</u>	<u>694 156 54</u>
Total Liabilities and Fund Equity	<u>457 469 68</u>	<u>105 979 82</u>	<u>130 707 04</u>	<u>694 156 54</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF MONTCALM
Montcalm County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS

March 31, 2007

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS	694 156 54
Amounts reported for governmental activities in the statement of net assets are different because –	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet:	
Capital assets at cost	1 014 497 00
Accumulated depreciation	<u>(425 709 50)</u>
TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES	<u><u>1 282 944 04</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF MONTCALM
Montcalm County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
Year ended March 31, 2007

	<u>General</u>	<u>Fire</u>	<u>Other Funds</u>	<u>Total</u>
Revenues:				
Property taxes	68 722 89	36 593 49	-	105 316 38
Licenses and permits	4 867 00	-	-	4 867 00
State revenue sharing	224 576 49	-	1 513 60	226 090 09
Charges for services – PTAF	23 626 83	-	-	23 626 83
Charges for services – Other	7 467 50	-	32 019 16	39 486 66
Interest	17 017 90	1 272 90	4 833 50	23 124 30
Miscellaneous	<u>34 852 12</u>	<u>3 502 08</u>	<u>710 00</u>	<u>39 064 20</u>
Total revenues	<u>381 130 73</u>	<u>41 368 47</u>	<u>39 076 26</u>	<u>461 575 46</u>
Expenditures:				
Legislative:				
Township Board	7 836 47	-	-	7 836 47
General government:				
Supervisor	18 590 21	-	-	18 590 21
Elections	6 320 40	-	-	6 320 40
Assessor	22 912 00	-	-	22 912 00
Clerk	18 462 87	-	-	18 462 87
Board of Review	2 593 73	-	-	2 593 73
Treasurer	26 831 53	-	-	26 831 53
Building and grounds	22 809 02	-	-	22 809 02
Cemetery	-	-	24 861 29	24 861 29
Public safety:				
Law enforcement	31 863 84	-	-	31 863 84
Fire protection	59 103 51	-	-	59 103 51
Building inspection	-	-	18 461 71	18 461 71
Planning and zoning	17 196 03	-	-	17 196 03
Liquor control	-	-	1 735 72	1 735 72
Public works:				
Highways and streets	78 055 73	-	-	78 055 73
Capital outlay	<u>1 642 00</u>	<u>-</u>	<u>-</u>	<u>1 642 00</u>
Total expenditures	<u>314 217 34</u>	<u>-</u>	<u>45 058 72</u>	<u>359 276 06</u>
Excess (deficiency) of revenues over expenditures	<u>66 913 39</u>	<u>41 368 47</u>	<u>(5 982 46)</u>	<u>102 299 40</u>
Other financing sources (uses):				
Operating transfers in	-	-	8 757 71	8 757 71
Operating transfers out	<u>(8 757 71)</u>	<u>-</u>	<u>-</u>	<u>(8 757 71)</u>
Total other financing sources (uses)	<u>(8 757 71)</u>	<u>-</u>	<u>8 757 71</u>	<u>-</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	58 155 68	41 368 47	2 775 25	102 299 40
Fund balances, April 1	<u>399 314 00</u>	<u>64 611 35</u>	<u>127 931 79</u>	<u>591 857 14</u>
Fund Balances, March 31	<u>457 469 68</u>	<u>105 979 82</u>	<u>130 707 04</u>	<u>694 156 54</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF MONTCALM
Montcalm County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year ended March 31, 2007

NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS	102 299 40
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures; in the Statement of Activities,
these costs are allocated over their estimated useful lives as depreciation

Depreciation Expense	(34 527 95)
Capital Outlay	<u>1 642 00</u>

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>69 413 45</u></u>
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The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF MONTCALM
Montcalm County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2007

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Township of Montcalm, Montcalm County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

The financial statements of the Township contain all the Township funds that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is the Township of Montcalm. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

Government-Wide and Fund Financial Statements

The government-wide financial statements, (the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items not properly included among program revenues are reported as general revenue.

Major individual governmental and business-type funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

TOWNSHIP OF MONTCALM
Montcalm County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2007

Note 1 – Summary of Significant Accounting Policies (continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)

The proprietary fund type is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of this fund are included on the balance sheet. Fund equity is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present revenues and expenses in net total assets. The accrual basis of accounting is utilized by the proprietary fund type. Under this basis of accounting revenues are recognized when earned and expenses are recognized when the related liability is incurred.

Governmental Funds

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Special Revenue Funds

These funds are used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action.

Proprietary Fund

Enterprise Fund

The Enterprise Fund reports operations that provide services which are financed primarily by user charges, or activities where periodic measurement of net income is appropriate for capital maintenance, public policy, management control or other purposes.

Fiduciary Fund

The Current Tax Collection Fund is used to account for assets held as an agent for others.

Assets, Liabilities and Net Assets or Equity

Bank deposits and investments – Cash and cash equivalent investments include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

All purchases of materials are reflected in expenses when paid in all funds.

TOWNSHIP OF MONTCALM
Montcalm County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2007

Note 1 – Summary of Significant Accounting Policies (continued)

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The 2006 tax roll millage rate was 1.3804 mills, and the taxable value was \$77,127,935.00.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

Capital Assets

Capital assets are defined by the Township as assets with an initial cost of more than \$1,000.00 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings and improvements	30-40 years
Furniture and equipment	5-25 years

Compensated Absences (Vacation and Sick Leave)

Township employees are not allowed to accumulate vacation and sick pay and therefore no accumulated amount is recorded in the financial statements.

Post-employment Benefits

The Township provides no post-employment benefits to past employees.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

TOWNSHIP OF MONTCALM
Montcalm County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2007

Note 2 – Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Township Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

Note 3 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township Board has designated six banks for the deposit of Township funds. The investment policy adopted by the Board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

TOWNSHIP OF MONTCALM
Montcalm County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2007

Note 3 – Deposits and Investments (continued)

The Township's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>647 466 77</u>

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

	<u>Bank Balances</u>
Insured (FDIC)	411 747 66
Uninsured and Uncollateralized	<u>242 853 03</u>
Total Deposits	<u>654 600 69</u>

The Township of Montcalm did not have any investments as of March 31, 2007.

Note 4 – Capital Assets

Capital asset activity of the Township's Governmental and Business-Type activities for the current year was as follows:

	<u>Balance 4/1/06</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 3/31/07</u>
<u>Governmental Activities:</u>				
Land and improvements	14 000 00	-	-	14 000 00
Buildings and improvements	603 108 00	-	-	603 108 00
Equipment	<u>395 747 00</u>	<u>1 642 00</u>	<u>-</u>	<u>397 389 00</u>
Total	1 012 855 00	1 642 00	-	1 014 497 00
Accumulated Depreciation	<u>(391 181 55)</u>	<u>(34 527 95)</u>	<u>-</u>	<u>(425 709 50)</u>
Net Governmental Capital Assets	<u>621 673 45</u>	<u>(32 885 95)</u>	<u>-</u>	<u>588 787 50</u>

Note 5 – Deferred Compensation Plan

The Township does not have a deferred compensation plan.

Note 6 – Pension Plan

The Township does not have a pension plan.

Note 7 – Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

TOWNSHIP OF MONTCALM
Montcalm County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2007

Note 8 – Building Permits

The Township does not issue building permits.

Note 9 – Interfund Receivables and Payables

The amounts of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
Fire	32 134 92	Current Tax Collection	32 134 92
General	<u>11 431 29</u>	Current Tax Collection	<u>11 431 29</u>
Total	<u>43 566 21</u>	Total	<u>43 566 21</u>

Note 10 – Interfund Transfers

The amounts of interfund transfers are as follows:

<u>Fund</u>	<u>Transfer In</u>	<u>Fund</u>	<u>Transfers Out</u>
Liquor	450 00	General	450 00
Cemetery Operating	<u>8 307 71</u>	General	<u>8 307 71</u>
Total	<u>8 757 71</u>	Total	<u>8 757 71</u>

TOWNSHIP OF MONTCALM
Montcalm County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
Year ended March 31, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Property taxes	90 973 37	90 973 37	68 722 89	(22 250 48)
Licenses and permits	5 629 64	5 629 64	4 867 00	(762 64)
State revenue sharing	224 595 00	224 595 00	224 576 49	(18 51)
Charges for services:				
PTAF	-	-	23 626 83	23 626 83
Other	3 200 00	3 200 00	7 467 50	4 267 50
Interest	10 000 00	10 000 00	17 017 90	7 017 90
Miscellaneous	<u>4 568 44</u>	<u>4 568 44</u>	<u>34 852 12</u>	<u>30 283 68</u>
Total revenues	<u>338 966 45</u>	<u>338 966 45</u>	<u>381 130 73</u>	<u>42 164 28</u>
Expenditures:				
Legislative:				
Township Board	8 000 00	8 000 00	7 836 47	(163 53)
General government:				
Supervisor	20 000 00	20 000 00	18 590 21	(1 409 79)
Elections	2 000 00	6 350 00	6 320 40	(29 60)
Assessor	25 000 00	25 000 00	22 912 00	(2 088 00)
Clerk	19 000 00	19 000 00	18 462 87	(537 13)
Board of Review	3 000 00	3 000 00	2 593 73	(406 27)
Treasurer	29 000 00	29 000 00	26 831 53	(2 168 47)
Building and grounds	23 500 00	24 500 00	22 809 02	(1 690 98)
Cemetery	18 000 00	18 000 00	-	(18 000 00)
Public safety:				
Law enforcement	33 000 00	33 000 00	31 863 84	(1 136 16)
Fire protection	50 000 00	59 200 00	59 103 51	(96 49)
Planning and zoning	11 000 00	17 200 00	17 196 03	(3 97)
Public works:				
Highways and streets	95 000 00	85 800 00	78 055 73	(7 744 27)
Culture and recreation:				
Parks and recreation	2 000 00	2 000 00	-	(2 000 00)
Capital outlay	2 000 00	2 000 00	1 642 00	(358 00)
Contingency	<u>13 000 00</u>	<u>1 450 00</u>	<u>-</u>	<u>(1 450 00)</u>
Total expenditures	<u>353 500 00</u>	<u>353 500 00</u>	<u>314 217 34</u>	<u>(39 282 66)</u>
Excess (deficiency) of revenues over expenditures	<u>(14 533 55)</u>	<u>(14 533 55)</u>	<u>66 913 39</u>	<u>81 446 94</u>
Other financing sources (uses):				
Operating transfers out	-	-	(8 757 71)	(8 757 71)
Total other financing sources (uses):	<u>-</u>	<u>-</u>	<u>(8 757 71)</u>	<u>(8 757 71)</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>(14 533 55)</u>	<u>(14 533 55)</u>	<u>58 155 68</u>	<u>72 689 23</u>
Fund balance, April 1	<u>233 603 36</u>	<u>233 603 36</u>	<u>399 314 00</u>	<u>165 710 64</u>
Fund Balance, March 31	<u>219 069 81</u>	<u>219 069 81</u>	<u>457 469 68</u>	<u>238 399 87</u>

TOWNSHIP OF MONTCALM
Montcalm County, Michigan

BUDGETARY COMPARISON SCHEDULE – FIRE FUND
Year ended March 31, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Property taxes	39 760 28	39 760 28	36 593 49	(3 166 79)
Interest	-	-	1 272 90	1 272 90
Miscellaneous	-	-	3 502 08	3 502 08
Total revenues	<u>39 760 28</u>	<u>39 760 28</u>	<u>41 368 47</u>	<u>1 608 19</u>
Expenditures:				
Safety:				
Fire protection	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	39 760 28	39 760 28	41 368 47	1 608 19
Fund balance, April 1	<u>-</u>	<u>-</u>	<u>64 611 35</u>	<u>64 611 35</u>
Fund Balance, March 31	<u>39 760 28</u>	<u>39 760 28</u>	<u>105 979 82</u>	<u>66 219 54</u>

TOWNSHIP OF MONTCALM
Montcalm County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year ended March 31, 2007

Township Board:	
Salaries	3 000 00
Payroll taxes	242 63
Professional services	2 075 00
Printing and publishing	292 50
Insurance	543 35
Miscellaneous	1 682 99
	<u>7 836 47</u>
Supervisor:	
Salary	13 925 00
Payroll taxes	1 063 53
Supplies	2 916 63
Insurance	543 35
Miscellaneous	141 70
	<u>18 590 21</u>
Elections:	
Contracted services	2 498 75
Supplies	3 149 99
Miscellaneous	671 66
	<u>6 320 40</u>
Assessor:	
Contracted services	<u>22 912 00</u>
Clerk:	
Salary	15 326 24
Payroll taxes	1 186 50
Supplies	372 08
Insurance	543 35
Miscellaneous	1 034 70
	<u>18 462 87</u>
Board of Review:	
Wages	1 240 00
Payroll taxes	94 86
Supplies	775 14
Insurance	483 73
	<u>2 593 73</u>
Treasurer:	
Salary	17 967 51
Payroll taxes	1 374 47
Supplies	4 281 13
Professional services	1 441 57
Insurance	543 35
Miscellaneous	1 223 50
	<u>26 831 53</u>
Building and grounds:	
Salary	550 00
Payroll taxes	38 30
Supplies	2 662 01
Contracted services	11 757 99
Telephone	1 716 94
Utilities	4 546 99
Insurance	773 20
Miscellaneous	763 59
	<u>22 809 02</u>

TOWNSHIP OF MONTCALM
Montcalm County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year ended March 31, 2007

Law enforcement	<u>31 863 84</u>
Fire protection:	
Wages	27 002 40
Payroll taxes	2 045 78
Supplies	5 342 65
Repairs and maintenance	9 730 85
Telephones	547 90
Utilities	3 215 57
Insurance	8 619 20
Miscellaneous	<u>2 599 16</u>
	<u>59 103 51</u>
Planning and zoning:	
Wages	9 090 00
Payroll taxes	693 97
Supplies	1 197 34
Professional services	5 052 45
Insurance	967 47
Miscellaneous	<u>194 80</u>
	<u>17 196 03</u>
Highways and streets	<u>78 055 73</u>
Capital outlay	<u>1 642 00</u>
Total Expenditures	<u><u>314 217 34</u></u>

TOWNSHIP OF MONTCALM
Montcalm County, Michigan

COMBINING BALANCE SHEET – ALL SPECIAL REVENUE FUNDS
March 31, 2007

	<u>Fire</u>	<u>Liquor</u>	<u>Building Inspection</u>	<u>Cemetery Operating</u>
<u>Assets</u>				
Cash in bank	69 694 33	726 82	20 802 08	40 646 41
Taxes receivable	4 150 57	-	-	-
Due from other funds	<u>32 134 92</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u><u>105 979 82</u></u>	<u><u>726 82</u></u>	<u><u>20 802 08</u></u>	<u><u>40 646 41</u></u>
<u>Liabilities and Fund Equity</u>				
Liabilities:				
Due to other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund equity:				
Fund balances:				
Unreserved:				
Undesignated	<u>105 979 82</u>	<u>726 82</u>	<u>20 802 08</u>	<u>40 646 41</u>
Total fund equity	<u><u>105 979 82</u></u>	<u><u>726 82</u></u>	<u><u>20 802 08</u></u>	<u><u>40 646 41</u></u>
Total Liabilities and Fund Equity	<u><u>105 979 82</u></u>	<u><u>726 82</u></u>	<u><u>20 802 08</u></u>	<u><u>40 646 41</u></u>

Total

131 869 64
4 150 57
32 134 92

168 155 13

-
-

168 155 13
168 155 13

168 155 13

TOWNSHIP OF MONTCALM
Montcalm County, Michigan

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – ALL SPECIAL REVENUE FUNDS
Year ended March 31, 2007

	<u>Fire</u>	<u>Liquor</u>	<u>Building Inspection</u>	<u>Cemetery Operating</u>
Revenues:				
Property taxes	36 593 49	-	-	-
State revenue sharing	-	1 513 60	-	-
Charges for service	-	-	18 226 00	13 793 16
Interest	1 272 90	33 56	989 54	3 810 40
Miscellaneous	3 502 08	-	-	710 00
Total revenues	<u>41 368 47</u>	<u>1 547 16</u>	<u>19 215 54</u>	<u>18 313 56</u>
Expenditures:				
General government:				
Cemetery	-	-	-	24 861 29
Public safety:				
Building inspection	-	-	18 461 71	-
Liquor control	-	1 735 72	-	-
Total expenditures	<u>-</u>	<u>1 735 72</u>	<u>18 461 71</u>	<u>24 861 29</u>
Excess (deficiency) of revenues over expenditures	<u>41 368 47</u>	<u>(188 56)</u>	<u>753 83</u>	<u>(6 547 73)</u>
Other financing sources (uses):				
Operating transfers in	-	450 00	-	8 307 71
Total other financing sources (uses)	<u>-</u>	<u>450 00</u>	<u>-</u>	<u>8 307 71</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	41 368 47	261 44	753 83	1 759 98
Fund balances, April 1	<u>64 611 35</u>	<u>465 38</u>	<u>20 048 25</u>	<u>38 886 43</u>
Fund Balances, March 31	<u>105 979 82</u>	<u>726 82</u>	<u>20 802 08</u>	<u>40 646 41</u>

Total
36 593 49
1 513 60
32 019 16
6 106 40
4 212 08
80 444 73

24 861 29
18 461 71
1 735 72

45 058 72

35 386 01

8 757 71
8 757 71

44 143 72
124 011 41
168 155 13

TOWNSHIP OF MONTCALM
Montcalm County, Michigan

BALANCE SHEET – PERMANENT FUND
March 31, 2007

	Cemetery Perpetual Care
<u>Assets</u>	
Cash in bank	<u>68 531 73</u>
Total Assets	<u>68 531 73</u>
<u>Liabilities and Fund Balances</u>	
Liabilities	<u>-</u>
Fund balances:	
Reserved	<u>68 531 73</u>
Total Liabilities and Fund Balances	<u>68 531 73</u>

TOWNSHIP OF MONTCALM
Montcalm County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – PERMANENT FUND
Year ended March 31, 2007

	<u>Cemetery Perpetual Care</u>
Revenues	-
Expenditures – Cemetery	<u>-</u>
Excess of revenues over expenditures	-
Fund balance, April 1	<u>68 531 73</u>
Fund Balance, March 31	<u><u>68 531 73</u></u>

TOWNSHIP OF MONTCALM
Montcalm County, Michigan

CURRENT TAX COLLECTION FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
Year ended March 31, 2007

	<u>Balance</u> <u>4/1/06</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>3/31/07</u>
<u>Assets</u>				
Cash in Bank	<u>129 433 34</u>	<u>2 210 748 00</u>	<u>2 292 764 77</u>	<u>46 746 57</u>
<u>Liabilities</u>				
Due to other funds	119 346 58	127 866 05	203 646 42	43 566 21
Due to other units	<u>10 086 76</u>	<u>2 082 211 95</u>	<u>2 089 118 35</u>	<u>3 180 36</u>
Total Liabilities	<u>129 433 34</u>	<u>2 210 078 00</u>	<u>2 292 764 77</u>	<u>46 746 57</u>

CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

May 5, 2007

To the Township Board
Township of Montcalm
Montcalm County, Michigan

We have audited the financial statements of the Township of Montcalm for the year ended March 31, 2007. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of the Township of Montcalm in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

To the Township Board
Township of Montcalm
Montcalm County, Michigan

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are described in Note 1 to the financial statements.

OTHER COMMUNICATIONS

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY

Our procedures disclosed the following conditions that we would like to bring to your attention:

SEGREGATION OF DUTIES

A separation of duties between persons who authorize transactions and persons who have control over the related assets does not always exist.

The least desirable accounting system is one in which an employee is responsible for executing the transaction and then recording the transaction from its origin to its ultimate posting in the General Ledger. This increases the likelihood that intentional or unintentional errors will go undetected. In most cases, adequate segregation of duties substantially increases control over errors without duplication of effort.

We understand that due to the size of needed staff, a proper segregation of duties may be impractical and the "cost to benefit" relationship may not justify the addition of accounting staff to accomplish the desired segregation.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated March 31, 2007.

SUMMARY

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

Campbell, Kusterer & Co., P.C.
CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants